



2009

## FAIR LABOR ASSOCIATION INDEPENDENT EXTERNAL MONITORING REPORT

**COMPANY:** NorthPole US LLC  
**COUNTRY:** China  
**FACTORY CODE:** 780015454H  
**MONITOR:** Level Works Ltd  
**AUDIT DATE:** November 18-19, 2009  
**PRODUCTS:** Outdoor Chairs  
**PROCESSES:** Assembly, Inspection, Packing  
**NUMBER OF WORKERS:** 19



## CONTENTS:

Wages, Benefits and Overtime Compensation: Holidays, Leave, Legal Benefits and Bonuses .....	3
Freedom of Association: Right to Freely Associate .....	4
Code Awareness: .....	5
Code Awareness: .....	6
Code Awareness: .....	7
Health and Safety: Safety Equipment and First Aid Training .....	8
Hours of Work: Overtime/Reduced Mandated Overtime .....	9

## **Wages, Benefits and Overtime Compensation: Holidays, Leave, Legal Benefits and Bonuses**

WBOT.5 Employers shall provide all legally mandated holidays, leave, benefits and bonuses, such as official holidays, annual leave, sick leave, severance payments and 13th month payments, to all eligible workers within legally defined time periods. In addition, all leave and bonuses shall be calculated correctly. (S)

### **Noncompliance**

**Explanation:** The last social insurance/security payment was made October 9, 2009, where it was noted that only 26 out of 30 employees had participated in retirement, illness or injury, disability caused by work-related injury or occupational disease, unemployment and childbearing insurances. However, the factory had obtained a written waiver from the local social insurance bureau.

Legal Reference: PRC Labor Law, Article 72

**Plan Of Action:** Though we had push the factory to do this; factory advised that as the number of employees is large, it's difficult to let all employees participate in the legal insurance. The factory had obtained a written waiver from the local social insurance bureau. At least 40% employees will participate in the social insurance by December 2010, 50% by December 2011, 70% by December 2012 and 90% by December 2013. We expect that all employees can participate in the social insurance in 2014. We will contact the government to let them send someone to the factory to carry out training on the social insurance benefit to employees.

**Deadline Date:** 12/31/2014

**Action Taken:** Feedback from the factory that most ecdemic employees don't want to participate in the social insurance. On one hand, we trained the employees; on the other hand, we kept in touch with government for the further work.

**Plan Complete:** No

**Plan Complete Date:**

## Freedom of Association: Right to Freely Associate

FOA.2 Workers, without distinction whatsoever, shall have the right to establish and, subject only to the rules of the organization concerned, to join organizations of their own choosing without previous authorization. The right to freedom of association begins at the time that a worker seeks employment, and continues through the course of employment, including eventual termination of employment, and is applicable as well to unemployed and retired workers. (S)

### Noncompliance

**Explanation:** [FLA Comment:](#) The Chinese constitution guarantees Freedom of Association (FOA); however, the Trade Union Act prevents the establishment of trade unions independent of the sole official trade union - the All China Federation of Trade Unions (ACFTU). According to the ILO, many provisions of the Trade Union Act are contrary to the fundamental principles of FOA, including the non-recognition of the right to strike. As a consequence, all factories in China fall short of the ILO standards on the right to organize and bargain collectively. However, the government has introduced new regulations that could improve the functioning of the labor relations mechanisms. The Amended Trade Union Act of Oct. 2001 stipulates that union committees have to be democratically elected at members' assemblies and trade unions must be accountable to their members. The trade union has the responsibility to consult with management on key issues of importance to their members and to sign collective agreements. Trade unions also have an enhanced role in dispute resolution. In Dec. 2003, the Collective Contracts Decree introduced the obligation for representative trade unions and employers to negotiate collective agreements, in contrast to the previous system of non-negotiated administrative agreements.

**Plan Of Action:** As all know, all factories in China fall short of the ILO standards on the right to organize and bargain collectively. We will foster a sense of autonomy by organizing after hours activities, which will be conducted by employees. We are planning a schedule and will decide the type of the activities for the employees. We will encourage them to discuss the problems in the workplace and give the suggestions to management. We may nurture an awareness of their rights on Freedom of Association by 2015.

**Deadline Date:** 10/30/2015

**Action Taken:** Informed and trained the employees that they had the right to discuss the problems together, and brought up their advice.

**Plan Complete:** No

Plan  
Complete  
Date:

---

**Code Awareness:**

GEN.1 Establish and articulate clear, written workplace standards. Formally convey those standards to Company factories as well as to licensees, contractors and suppliers.

**Noncompliance**

**Explanation:** 1. It was noted that no NorthPole Code of Conduct was found on-site at the factory.

(Remark: According to the management, NorthPole had provided them with a copy of their Code of Conduct, but they claimed that the Code of Conduct was lost.)

2. It was noted that the company did not communicate its association with the FLA to the factory.

**Plan Of Action:** We will provide NorthPole Code of Conduct to post on boards that are readily available for all employees to view. The factory management will be informed about the relationship between NorthPole and the FLA; they will also be informed of the importance of factory participation and involvement.

**Deadline Date:** 11/30/2009

**Supplier CAP:** Factory manager will see that the NorthPole Code of Conduct (provided by NorthPole) is posted on tack boards for employees to easily access.

**Supplier CAP Date:** 11/30/2009

**Action Taken:** NorthPole has provided their Code of Conduct again to the factory; the factory was advised to post it in various locations. The factory management had been informed about the relationship between NorthPole and the FLA; they were also informed of the importance of factory participation and involvement.

**Plan Complete:** Yes

Plan 11/30/2009

Complete

Date:

---

### Code Awareness:

GEN.2 Ensure that all Company factories as well as contractors and suppliers inform their employees about the workplace standards orally and through the posting of standards in a prominent place (in the local languages spoken by employees and managers) and undertake other efforts to educate employees about the standards on a regular basis.

### Noncompliance

**Explanation:** It was noted that workers were not orally informed of the Code or of code provisions at the time of induction or on an ongoing basis.

**Plan Of Action:** The factory to post the Code of Conduct the day after audit and to train the employees to know the policy of NorthPole and the FLA.

**Deadline Date:** 11/30/2009

**Supplier CAP:** We will post the Code in a prominent place and carry out the training to employees for their understanding.

**Supplier CAP Date:** 11/30/2009

**Action Taken:** Code has been posted. The training had taken place for the employees. The factory will make a training plan for next year and let all employees participate in the training.

**Plan Complete:** Yes

**Plan Complete Date:** 11/30/2009

---

**Code Awareness:**

GEN.3 Develop a secure communications channel, in a manner appropriate to the culture and situation, to enable Company employees and employees of contractors and suppliers to report to the Company on noncompliance with the workplace standards, with security that they shall not be punished or prejudiced for doing so.

**Noncompliance**

**Explanation:** It was noted that the company did not provide a confidential noncompliance reporting mechanism which allows factory workers to contact the company directly.

**Plan Of Action:** In the NorthPole Code of Conduct, there are our SER TEAM leaders' email addresses and contact numbers. The employees will be informed that they can report to the company anonymously.

**Deadline Date:** 12/23/2009

**Action Taken:** The NorthPole Code of Conduct is posted on the wall. The employees had been trained on how to report to the company.

**Plan Complete:** Yes

**Plan Complete Date:** 12/23/2009

---

### Health and Safety: Safety Equipment and First Aid Training

H&S.10 All safety and medical equipment (such as fire fighting equipment, first aid kits, etc.) shall be available in sufficient numbers throughout the factory, maintained and stocked as prescribed and easily accessible to workers. A sufficient number of workers shall be trained in first aid and fire fighting techniques. (S)

#### Noncompliance

**Explanation:** It was noted that two fire extinguishers were blocked in the assembly workshop.

Legal Reference: PRC Design Regulations for Fire Extinguisher Installation (GBJ 140-90), Article 5.1.1

**Plan Of Action:** Advise factory to move the items that block the fire extinguishers at once. The factory keeps the fire fighting equipment available all the time.

**Deadline Date:** 11/30/2009

**Supplier CAP:** Move the product/goods that are blocking the fire extinguishers. Teach employees to store products in locations away from any fire equipment.

**Supplier CAP Date:** 11/20/2009

**Action Taken:** Goods have been moved so that they do not block the fire extinguishers. Employees have been trained to place any products in proper locations so as to not block any fire equipment.

**Plan Complete:** Yes

**Plan Complete Date:** 11/20/2009

---



### Hours of Work: Overtime/Reduced Mandated Overtime

HOW.8 The employer shall demonstrate a commitment to reduce overtime and to enact a voluntary overtime system, including for overtime mandated to meet extraordinary business circumstances. (P)

#### Noncompliance

**Explanation:** It was noted that the monthly overtime hours for 90% of the workers ranged from 44 to 92 hours from October 2008 to September 2009.

Legal Reference: PRC Labor Law, Article 41

**Plan Of Action:** Factory will be advised to control overtime according to local labor laws. HR has stressed to supervisors to limit overtime to be within FLA standards. Besides adding more workers, more training will be conducted for the employees to improve their work efficiency. In the peak periods, will control the overtime under 80h/month by December 2010, under 60h/month by December 2011, under 40h/month by December 2012. In the off seasons, will control the overtime to under 36h/month by December 2010.

**Deadline Date:** 12/31/2012

**Supplier CAP:** We will control the overtime according to the PRC Labor Law by way of raising the production efficiency.

**Supplier CAP Date:** 12/31/2012

**Action Taken:** The factory has controlled the overtime and the working time in the factory to comply with most customers' standards. It is a priority for HR to question all employees/supervisors if overtime is extremely high. The factory has now hired more employees and cut down on overtime.

**Plan Complete:** No

**Plan Complete Date:**